

# **Corporation of Hull College**

## **Annual Report and Financial Statements**

**for the year ended 31 July 2014**

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

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## OPERATING AND FINANCIAL REVIEW

### Nature, Objectives and Strategies

The Members present their report and the audited financial statements for the year ended 31 July 2014.

### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Hull College business. The Group is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

For the year ended 31 July 2014 the Group consisted of Hull, Goole and Harrogate campuses. The financial statements are consolidated with those of Hull College Enterprises Limited and Rhino Training Limited for the year ended 31 July 2014.

### Public Benefit

Hull College is an exempt charity under Part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the Charity, are disclosed on pages 14 and 15.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality outcomes
- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent progression opportunities
- Strong student support systems

A recent assessment of the social and economic impact of learning by EMSI in 2014 found that the total contribution of Hull College Group which includes Hull and Goole Colleges to the economy of Hull and the East Riding of Yorkshire is £517 million annually, equivalent to £1 in every £20 spent in the region or more than 23,000 jobs on average wages.

For every £1 invested in Hull College Group £4.40 is gained by society.

Further areas covering the delivery of public benefits from the College are to be found throughout this review.

### Implementation of strategic plan

In July 2014 the Group adopted a new strategic plan for the period 1 August 2014 to 31 July 2017. The corporation monitors the performance of the Group against these plans. The plans are reviewed and updated each year.

# Corporation of Hull College

## FINANCIAL STATEMENTS

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### **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

#### **Implementation of strategic plan (continued)**

Governors believe that the Group's mission will be realised by delivering the following strategic objectives:

- To provide an excellent personalised learning experience
- To develop a flexible, dynamic partnership approach to all aspects of business delivery.
- To provide an innovative range of products and delivery models meeting the needs of students and employers locally and nationally
- To provide a high quality inspiring and sustainable learning environment
- To provide and embed shared values creating high performance and a culture of responsibility and accountability.
- To ensure financial viability and sustainability

#### **Implementation of strategic plan**

The Group Values are Excel, Respect, Innovate and Celebrate.

The Groups Unique Selling Points (USP's) are Excellence, Support, Choice and Progression.

#### **Key Achievements**

- The rollout of study programmes for 16-19 year olds.
- The establishment of 14-16 direct entry full-time for almost 200 pupils across Goole and Hull College, one of 5 colleges nationally.
- The launch of a new Digital Manifesto.
- Delivery of an enhanced GCSE English and Maths offer.
- The establishment of HCUK Training to take the lead for delivery of all apprenticeship delivery.
- Successful delivery as lead for the £5.5m Support for Skills in the Workplace contract commissioned by the Hull and Humber LEP.
- Enhanced delivery of employability work in partnership with the Job Centre Plus.
- A refocused curriculum offer in line with LEP priorities.
- The first year of degrees validated by the Open University.
- A continued reduction in the volume of subcontractors.
- Ongoing progress towards achieving Foundation Degree Awarding Powers.

In the last academic year Wheeler Primary became the first primary school to join HCUK's Multi Academy Trust. In May the Group's sponsored Academy, Sirius Academy achieved Outstanding status.

# Corporation of Hull College

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## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Financial objectives

The Group aims to maintain a sound financial base and its objectives for the financial year 2013/14 were:

- To maintain a current ratio of no less than 1.5
- To maintain a minimum of 10 days cash in hand
- To maintain a positive operating cash flow from operations >1% of net income
- Pay expenditure to be maintained within 2% of the sector average
- To ensure the expenditure budget is not overspent, unless offset by a matched increase in income
- To maintain a positive general reserve balance (excluding pension provision) as a percentage of net income at 30% or above
- External borrowing to be no more than 15% of total annual income.

A review of activity for the year 2013/14 against the Financial Aims and Objectives established as part of last year's financial planning and forecasting exercise confirms that these have largely been met.

These performance indicators for 2013/14 are calculated as follows, with previous year comparisons

	2013/14	2012/13
Current Ratio	0.75	1.63
Cash days in hand	17	29
Cash flow from operations	£0.4	£0.5m
General Reserve as a percentage of total income	10%	10%
General Reserve as a percentage of total income (excluding pension)	30%	34%
Pay expenditure as a percentage as net income	68%	60%

The Group has undergone a busy and challenging year with reductions in central government funding yet is still required to maintain standards and estate investment. This has been achieved and the Group looks forward to build upon this for the future.

### Performance indicators

In 2013/14, overall, the Group met its participation targets for 16-18 FE and 19+ Adult Learners and Apprenticeship with some under delivery in 16-18 apprenticeship recruitment reflecting the national picture.

**In July 2014 Corporation adopted six strategic objectives for the College to achieve in the medium to long term. These are**

#### Priority 1: Achievement of Annual Operating Surpluses

It is essential that the Group moves quickly to reverse the trend in 2012-13 and 2013-14 of posting operating deficits. As a long term measure, the College aims to achieve annual operating surpluses of at least 3% of turnover.

# Corporation of Hull College

## FINANCIAL STATEMENTS

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### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Performance indicators (continued)

This will mean in practice a positive cash flow from operations in the region of 5% to help strengthen cash balances and finance any capital investment not financed by loans or grants.

#### Priority 2: Strengthening of Cash Balances

A key priority is to restore cash balances at year-end to a minimum of 30 cash days in hand, with a longer term aim of reaching the national average for large Colleges of 60 cash days in hand.

#### Priority 3: Reduced Reliance of EFA/SFA Funding

In the context of anticipated further reductions in EFA and SFA funding over the coming years, it is vital to reduce reliance on government funding streams if it is to continue to grow and flourish. The strategy proposes the adoption of a target to reduce reliance on EFA/SFA income to below 70% of gross turnover within five years.

#### Priority 4: Reducing Pay Costs as a Percentage of Turnover

Pay costs currently account for almost two thirds of the Group's expenditure and have historically been well above the average for the FE sector. In order to achieve the target level of operating surpluses set out in priority 1, it will be important to continue to drive up the efficiency of curriculum delivery and support services particularly if staff pay and rewards are expected to increase whilst funding rates remain frozen in cash terms.

The strategy proposes a long term target of reducing pay costs as a percentage of turnover to below 63% within five years. This is less aggressive than a number of the largest Colleges nationally, but still represents a significant challenge given significant rises ahead in employer contributions for national insurance and pensions.

#### Priority 5: Achievement of Outstanding Financial Health

The College has adopted a long term target of regaining an outstanding financial health grade, whilst acknowledging that this will not be achievable in years 1 to 2.

#### Priority 6: Continued Investment in the Group's Infrastructure

The strategy anticipates a potential appetite for capital investment over the next five years of up to £25m, with the potential for grant funding of at least £10m towards these costs. Where possible the College will secure loan finance to meet match funding requirements until it has rebuilt cash balances to at least 60 cash days in hand. The strategy proposes setting a ceiling on long-term borrowing equivalent to no more than 30% of net assets.

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency ("SFA"). The Finance Record produces a financial health grading. The current rating of satisfactory is considered an acceptable outcome.

The Group generated an operating deficit in the year of £6,478,000 (2012/13 deficit £1,299,000). The deficit for the year is after charging £1,248,000 (2012/13 £795,000) in respect of restructuring costs, and £1,243,000 for the impairment of goodwill in respect of Rhino Training Limited.

The Group delivered a historical cost deficit of £6,233,000 in the year (2012/13 deficit £1,054,000).

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## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Performance indicators (continued)

Significant factors affecting this result include:

- Restructuring costs
- A shortfall on the delivery of adult apprenticeships, 16-18 apprenticeships and full cost recovery courses
- Impairment of the investment in Rhino Training Limited

	2013/14 £'000	2012/13 £'000
Historical cost (deficit) reported	(6,233)	(1,054)
Restructuring costs	1,248	795
Impairment of goodwill	1,243	-
FRS 17 pension interest charge	<u>207</u>	<u>578</u>
Underlying historical cost (deficit)/surplus	<u>(3,535)</u>	<u>319</u>

As at 31 July 2014, the Group has an accumulated reserve on the income and expenditure account of £5,490,000, representing 9.5% of its annual income. This was after recognising an FRS 17 pension liability of £12,038,000 in its financial statements. The cash and cash investments balance of £2,743,000 has decreased by £2,477,000 from 2012/13. The current ratio has moved from 1.63 to 0.79.

Tangible fixed asset additions during the year amounted to £2,844,000. This was split between land and buildings acquired of £888,000 and equipment purchased of £1,290,000 and assets under construction of £666,000. The Group has significant reliance on the funding bodies for its principal funding source, largely from recurrent grants. In 2013/14 the funding bodies provided 77% of the Group's total income.

### Treasury policies and objectives

Treasury management is the management of the Group's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Group has a separate treasury management policy in place, updated during 2014, and undertakes regular reviews of actual cashflow performance, forecasted cashflows and appropriate banking investments and positions.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the Group's Financial Memorandum previously agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum and the college Financial Regulations

### Cash flows

At £393k inflow (2012/13 £538k inflow), operating cashflow was reduced. The net cash outflow resulted from the reduction in the Group's core funding combined with ongoing long term maintenance programme expenditure, pension funding and the costs of restructuring the work force.

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### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Liquidity

The size of the Group's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash-flow. During the year this margin improved.

#### Current and future development and performance

##### Student numbers

In 2013/14 the Group has delivered activity that has produced £43.6m in funding body main allocation funding. The Group had approximately 4,100 EFA funded students, 13,200 SFA funded students and 1,400 HE students.

##### Student achievements

The Group has recorded a dip in its success rates for its long provision in 2013/14, achieving 81.5% against a College outturn of 85.3% for 2012/13. The national rate accounting for providers with similar high levels of social deprivation was 83.3% in 2012/13. This drop was mainly attributed to ESOL provision.

Short success rates were 83.7% and Very Short 93.7%, The Functional Skills success rate was 65.7%

The teaching and learning profile was high. The Group percentage of good or better sessions was 90%, based on 784 classroom observations. This was against a target of 85%. The Student survey results (Student Perception of College) resulted in an overall Quality satisfaction rating of 81; exceeding its target (80) and national FE benchmark rating of 80.

##### Planned maintenance programme

The expenditure on planned maintenance was in line with budget.

##### Staff and student involvement

The Group continues to recognise that people are its most valuable resource and acknowledges the flexible approach adopted by staff to the ever-increasing demands of the sector. There are a number of staff newsletters, formal committees and consultation procedures involving staff membership as well as a variety of informal channels of consultation. The Chief Executive also chairs the Staff Voice which provides an opportunity to engage directly with staff on a range of development opportunities and complements the formal framework for engagement with the Group's recognised Trade Unions. The Chief Executive and Strategic Leadership Team have attended a number of curriculum and support area staff meetings which allow staff from across the Group to meet with the Leadership Team to discuss the main issues facing the Group. These meetings provide a valuable opportunity for feedback and information sharing as well as an opportunity to inform the Group's strategy.

Students have an opportunity to feed back their views of the Group formally through the Student Perception of College surveys and the complaints and praise process. There are also regular student consultative group meetings in each curriculum area, as well as a Student Voice Committee at each campus with the direct engagement of the relevant campus Principal.

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### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Staff and student involvement (continued)

The Group has encouraged the development of the Students' Union organisation and continues to invest funds to create paid posts on a full and part-time basis to support the Students' Union's work. This has resulted in improved social facilities and the development of informal communication between the Group and its student body via social networking means.

The Group will sustain these structures in the future and in particular will consider proposals from the Students' Union to strengthen the permanent staffing base to support its operation.

#### Going Concern

The Group has considered the issue of Going Concern at both Audit and Finance committees. The Group maintains a close focus on balancing strength and availability of liquid resources in the event that short term pressures are experienced given the continuing economic downturn. After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Corporation has considered the following:

- Detailed cash-flow forecast for the period to 31 December 2015
- Review of the Group risk register which addresses both financial and non financial issues concerning future risk and liability. In doing so the Group recognises the risks and mitigating actions in place in the following areas:
  - Recruitment of students to agreed funding and learner number targets
  - Retention and success levels required to ensure funding levels are supported
  - Budget plans not achieved due to constrained income from funding agencies
- Robustness of the majority of the Colleges income from SFA/EFA sources
- The proactive and detailed nature of the estates strategy that underpins educational delivery in key priority areas
- The completion of the sourcing of a new banking relationship for the medium to long term future

The Corporation regularly holds the Strategic Leadership Team to account on the direction of the College, including business development and the generation of contribution from new areas of activity.

For these reasons they continue to adopt the going concern basis in preparing the financial statements.

# Corporation of Hull College

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### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Resources

The Group has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the main College site, the CITB Engineering Building, existing College assets including Horncastle, Maxwell Bird and Park Street buildings in Hull the Boothferry Road building in Goole and the Hornbeam Park campus in Harrogate. The Group also holds £6.6million in current assets.

#### *Financial*

The Group has £16.0million of net assets (including £12million pension liability) and long term debt of £2.2million (£2.7m long term debt in 2012/13).

#### *People*

The Group employs 1,178 people (expressed as full time equivalents), of whom 515 are teaching staff.

#### *Reputation*

The Group has a good reputation locally and nationally. Maintaining a quality brand is essential for the Group's success at attracting students and external relationships. This reputation has been enhanced in the successful outcome of the OFSTED inspection during 07/08 resulting in "outstanding" status in all categories.

#### **FRS 17: PENSIONS**

The Group has fully implemented the provisions of FRS17; however the Corporation remains extremely concerned about the impact of FRS 17 on the future finances of the Group.

Accounting for defined benefit pension schemes under FRS17 is a risk as the relevant pension scheme is not under the direct control of the Group and is accounted for in accordance with the advice of independent qualified actuaries. Significant judgements are required in relation to assumptions for future salary increases, inflation, investment returns and member longevity that underpin their valuations and this judgemental nature may lead to significant swings in the annual impact on the ongoing finances of the Group. With this in mind and to try to reduce the volatility of the impact on these financial statements, in 2014 the College undertook a bespoke FRS17 valuation exercise using Hymans Robertson LLP who used bespoke assumptions to achieve the reporting requirements under FRS17.

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### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Principal Risks and Uncertainties

The Group has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the Group is exposed. They identify systems and procedures, the Group including specific preventable actions which should mitigate potential impacts on the Group. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the Group.

A risk register is maintained at the Group level which is reviewed at least annually by the Audit Committee, quarterly by SLT and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Respective sub-committees are encouraged to discuss and challenge respective risks concerning their areas of responsibility.

Outlined below is a description of the strategic risks that are considered in the Group's risk register. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

- 1) Strategic Risk 1 – Financial Stability
- 2) Strategic Risk 2 - Failure to achieve recruitment targets
- 3) Strategic Risk 3 – HCUK Training fails to respond to or generate market demand
- 4) Strategic Risk -4 Unable to effectively manage curriculum reform
  
- 5) Strategic Risk – 5 Unable to secure excellence in the quality of teaching, learning and assessment
- 6) Strategic Risk – 5 Unable to manage the quality of subcontract provision
- 7) Strategic Risk - 7 Failure to execute the organisational change programme
- 8) Strategic Risk - 8 Failure to execute Estates Strategy
- 9) Strategic Risk - 9 Non-participation in and/or ineffective performance management system

#### Stakeholder relationships

In line with other colleges and with universities, Hull College has many stakeholders. These include:

- Students
- Funding bodies
- Staff
- Local employers (with specific links);
- Local Authorities
- Government Offices
- The local community
- Other FE institutions
- Trade unions
- Professional bodies
- Advisors
- Governors.

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### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Stakeholder relationships (continued)

The Group recognises the importance of these relationships and engages in regular communication with them through the Group Internet site and by meetings.

#### Equal opportunities and employment of disabled persons

The Group is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively the diversity of our internal community and pay particular regard to those protected characteristics as defined within the Equality Act 2010. We strive vigorously to remove barriers which place people at a disadvantage and actively combat discrimination.

The Group's Single Equality Scheme sets out the Group's plans for managing equality and describes how we will ensure that less favourable treatment of the protected characteristics within the Equality Act 2010 can be eliminated. This policy is resourced, reviewed by users, implemented and monitored on a planned basis, including reporting to the Group's Governing Body. It is available on the Group's internal and external websites.

The Group actively promotes vacancies using appropriate considered methods to appeal to a diverse range of people. HCUK considers all applications from disabled people and takes reasonable steps to accommodate individual needs. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Group continues. The Group's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

#### Disability, Equality and Diversity Statement

The Group seeks to fulfil the requirements of the Equality Act 2010 and Special Educational Needs and Disability Act 2011.

- a) Disability considerations are built into the Group's accommodation strategy.
- b) The Group has a member of staff appointed as the Disability Champion and who provides information, advice and arranges support where necessary for students with disabilities.
- c) The Group can provide a range of specialist equipment for students to use and has a variety of assistive technology available.
- d) The admissions policy for all students is described in the Group student charter.
- e) The Group has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and /or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievement and destinations are recorded and published on the Group website and within appropriate publications.
- g) Counselling and welfare services are described in the Student Journal, which is issued to students at their induction and incorporates the Praise and Complaints procedure.

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## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Corporate and Social Responsibility Statement

The Group focuses on the economic and social well-being of its students, staff and wider communities. It sets clear annual targets published within its Corporate Social Responsibility Strategy, supporting community cohesion through partnerships, activities and use of facilities. Equality and Diversity objectives include the following:

- To closely monitor the HCUK Single Equality Scheme Action and Improvement Plan, reviewing termly in October, January and May ensuring we listen and respond to our community needs
- To use Equality Analysis to measure the impact of our policies and practices as part of the Group annual cycle
- To carry out training and staff development to ensure that staff and students understand the relevant equality duties and responsibilities in ensuring that the Group is free from discrimination, harassment and victimisation, advances equality and fosters good relations between those with different protected characteristics
- To monitor and enhance the use of data reporting and publish information on staff and students at all levels throughout the Group for recruitment, retention, achievement, progression, disciplinary action, grievances and complaints (in termly Business Reviews, SARs and annual E & D Report)
- To review annually our Group EDIMs targets for the academic year
- To utilise EFQM model and the balanced score-card to support the monitoring of equality and diversity
- To assist Schools and departments with actions to increase under-represented group involvement and community action
- To provide a physically accessible environment at all College sites
- To ensure the curriculum remains inclusive and reflects the Group's commitment to Equality and Diversity
- To take into account socio-economic disadvantages when making strategic decisions either as a Group or as a strategic partner, with a view to positive action improvements.

### Childcare places

The Group is able to offer childcare facilities at the Kingston Communications Stadium close to the Group's facilities at The Learning Zone premises, in addition to sites at Queens Gardens ( the Maxwell Bird building), and at Goole College.

### Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Approved by order of the members of the Corporation on  
signed on its behalf by:

and

Chair Nick Swash

# Corporation of Hull College

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### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Professional advisers

Financial statement and  
regularity auditors

Baker Tilly UK Audit LLP  
2 Humber Quays Wellington Street West, Hull, Hu1 2BN

Internal Auditors

PricewaterhouseCoopers LLP (to 31 July 2014)  
Benson House, 33 Wellington Street, Leeds, LS1 4JP

Bankers

Co-operative Bank plc  
22 Alfred Gelder Street, Hull, HU1 2BS

Solicitors

Rollits, Wilberforce Court, Alfred Gelder Street,  
Hull, HU1 1YH

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### Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the Group to obtain a better understanding of its governance and legal structure.

The Group endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance, and in particular the College has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the Group complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2014. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in August 2012.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

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### Statement of Corporate Governance and Internal Control (continued)

#### The Corporation

The composition of the Corporation during the year and up to the date of signature of this report is set out below.

Name	Date of Appointment	Term of Office	Date of Resignation/ Retirement	Committees Served	Corporation Meeting Attendance
<b>Mr N Swash</b>	November 2010	4 years	(November 2014)	Chair of Corporation (re-elected July 2014), Finance (Chair from 4 July 2014), Remuneration (Chair), Strategy (Chair)	23.09.2013 19.12.2013 29.01.2014 27.03.2014 23.07.2014
<i>Re-appointed</i>	July 2014	4 years			
<b>Mr P Hollins</b>	December 2008	4 years	10 December 2012	Corporation (Vice Chair), Harrogate Consultative Committee (Chair) Estates (Chair), First Choice, Remuneration (Vice Chair), Strategy	23.09.2013 29.01.2014 27.03.2014 23.07.2014
<i>Re-appointed</i>	December 2012	4 years			
<b>Ms P Tomlinson</b>	April 2010	4 years	31 March 2014	Audit (Vice Chair), Excellence (Chair), Remuneration, Strategy	19.12.2013 29.01.2014 27.03.2014 23.07.2014
<i>Re-appointed</i>	April 2014	4 years			
<b>Ms M Askew</b>	September 2009	4 years	31 August 2013	Excellence, First Choice	23.09.2013 19.12.2013 29.01.2014 27.03.2014 23.07.2014
<i>Re-appointed</i>	September 2013	4 years			
<b>Mr K Brown</b>	January 2013	4 years		Finance	23.09.2013 19.12.2013 29.01.2014 27.03.2014
<b>Mr N Coyle</b>	January 2013	4 years	17 July 2014	Finance	None
<b>Ms Donna Edgar</b>	December 2011	4 years		First Choice	23.09.2013 19.12.2013 29.01.2014 27.03.2014
<b>Mr C Fenwick</b>	April 2010	4 years	31 March 2014	Audit (Chair), Remuneration, Strategy	23.09.2013 19.12.2013 29.01.2014 27.03.2014 23.07.2014
<i>Re-appointed</i>	April 2014	4 years			
<b>Mr D Greenway</b> Staff Governor	May 2009	4 years	30 April 2013	Estates, Excellence, First Choice	None
<i>Re-appointed</i>	May 2013	<i>Re-appointed for six months to cover duties until Support Staff Governor elections took place.</i>	<i>23 October 2013</i>		

# Corporation of Hull College

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### Statement of Corporate Governance and Internal Control (continued)

#### The Corporation

The composition of the Corporation during the year and up to the date of signature of this report is set out below.

Name	Date of Appointment	Term of Office	Date of Resignation/ Retirement	Committees Served	Corporation Meeting Attendance
<b>Ms H Jack</b>	January 2013	4 years		Excellence	23.09.2013 19.12.2013 29.01.2014 27.03.2014 23.07.2014
<b>Mr A Manderfield</b>	April 2014	4 years		Excellence, Finance	23.07.2014
<b>Mr S McMurray</b> Staff Governor	October 2013	4 years		Excellence	19.12.2013 29.01.2014 27.03.2014
<b>Dr D Meakin</b> Staff Governor	October 2009	4 years	11 October 2013	Excellence, First Choice	23.09.2013
<i>Re-appointed</i>	October 2013	<i>Re-appointed for 12 days to cover duties until Academic Staff Governor elections took place</i>	23 October 2013		
<b>Miss Emma Palmer</b> Student Governor	July 2013	1 year	30 June 2014	Excellence, First Choice, Estates	23.09.2013 19.12.2013 29.01.2014 27.03.2014
<i>Re-appointed as Governor</i>	July 2014	4 years		Excellence, First Choice	23.07.2014
<b>Mr Robert Peyton</b>	January 2012	4 years	3 September 2013	Audit	None
<b>Mr Christopher Roberts</b>	January 2012	4 years		Audit	23.09.2013 19.12.2013 29.01.2014 27.03.2014 23.07.2014
<b>Mr Antony Sutton</b>	March 2012	4 years	4 July 2014	Finance (resigned as Chair 4 July 2014), Remuneration, Strategy	23.09.2013 19.12.2013 29.01.2014 27.03.2014 23.07.2014
<b>Mr J Tabor</b> Staff Governor	October 2013	4 years		Audit	19.12.2013 29.01.2014 27.03.2014 23.07.2014
<b>Mr G Warke</b> Chief Executive	February 2013	Ex Officio		Excellence	23.09.2013 19.12.2013 29.01.2014 27.03.2014 23.07.2014
<b>Mr K Whitaker</b>	January 2013	4 years	13 February 2014	Finance	None

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Statement of Corporate Governance and Internal Control (continued)

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, quality, resources and standards of conduct.

The Corporation through the scrutiny provided by its Committees is updated with regular and timely information on the overall financial performance of Hull College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation drives the strategy and quality of the Group and monitors outcomes.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation and an annual business cycle.

These committees are: -

- Audit
- Excellence
- Innovation
- First Choice
- Finance
- Search, Governance and Human Resources
- Remuneration

In addition a range of further committees have been established to deal with specific strategic issues:

- Estates Sub-Committee (reporting to the Finance Committee)

The Corporation also receives updates from two stakeholder groups: the Harrogate Consultative Committee and the Goole Consultative Forum, which are constituted as Corporation Committees and meet three times per year with businesses, statutory agencies and other education establishments within their localities to provide intelligence to the Corporation on community educational needs and aspirations.

The full corporation meets at least four times per year for specific review of strategic issues.

Members of the Corporation are appointed to the Group's companies to ensure independent scrutiny and provide a direct reporting link back to the Corporation. These appointments are:

Melissa Askew	Director of Movata Limited Director of HCUK Trust – Hull College's sponsored Multi Academy Trust
Martin Shaw	Director of Rhino Training Limited.
Gary Warke	Director of HCUK Trust – Hull College's Sponsored Multi Academy Trust
Robert Peyton	Director of Sirius Academy Director of Sirius Academy

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Statement of Corporate Governance and Internal Control (continued)

Hull College has its headquarters at:

Hull College  
Queen's Gardens  
Wilberforce Drive  
Hull HU1 3DG

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at all meetings of the Corporation and its committees and during office hours at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at the Group's expense and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Corporation meetings. Briefings are also provided on a regular basis. Papers remain available to all Governors through an electronic and secure portal, this helps to ensure transparency of decision-making of all Committees.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. This applies equally to the Clerk to the Corporation who has an annual statement passed by Remuneration Committee to ensure the Clerk's total independence of action.

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

### Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search, Governance and Human Resources Committee which is responsible for the selection and nomination of any new governor or co-opted member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required and the Clerk delivers to new Governors and co-opted members a full induction training programme.

Members of the Corporation are appointed for a term of office not exceeding four years.

### Remuneration committee

Throughout the year ending 31 July 2014, the Group's Remuneration Committee comprised five members, all governors. The committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer, Clerk and Senior Post-Holders.

Details of remuneration for the year ended 31 July 2014 are set out in note 7 to the financial statements.

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Statement of Corporate Governance and Internal Control (continued)

#### Audit committee

The Audit Committee comprised four members of the Corporation (excluding the Accounting Officer and Chair who are not eligible for membership) and one co-opted members. The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets at least once per term and provides a forum for reporting by Hull College's internal, regularity and financial statements auditors, who also have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the main FE funding bodies, as they affect the Group's business. The Audit Committee takes an active role to ensure adequate risk management processes are in place within the Group, receiving regular reports from the Group's Risk Management Group. The Audit Committee regularly reviews and monitors progress in mitigating risks in the Group's risk register.

Hull College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations, and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

#### Internal control

##### *Scope of responsibility*

The Corporation is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Corporation has delegated the day to day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to his in the Financial Memorandum between Hull College Group and the Skills Funding Agency. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

##### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hull College for the year ended 31 July 2014 and up to the date of approval of the annual report and financial statements.

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

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## Statement of Corporate Governance and Internal Control (continued)

### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks.

The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### *The risk and control framework*

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is agreed by the Corporation and financial forecasting, including risk and sensitivity assessment
- regular reviews by the Finance Committee of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Hull College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by mandatory audit reporting requirements and an analysis of the risks to which the Group is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. On an annual basis, the manager of the internal audit service provides the Corporation with a report on internal audit activity in the Group. The report includes his or her independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

### *Review of effectiveness*

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework
- observations made by the Group's financial statements auditors in their management letters and other reports
- The input of the Audit Committee, including the annual report of the Audit Committee to the Corporation.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor. Where weaknesses are identified, plans to address such weakness and ensure continuous improvement of the system are in place.

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Statement of Corporate Governance and Internal Control (continued)

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. Business reviews are held with each school and unit each term to consider key performance and risk indicators as well as other possible control, quality and operational issues. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Accounting Officer, the corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

#### Review by the Chief Executive

As Accounting Officer the Chief Executive has reviewed the effectiveness of the system of internal control for the year ended 31 July 2014 and is pleased to report that there are no issues arising from the review that should be brought to the attention of the Corporation.

#### Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that **to the best of its knowledge**, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

#### Going concern

After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on  
behalf by:

and signed on its

Chair                                      Nick Swash

Accounting Officer                      Gary Warke

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Statement of Responsibilities of the Members of the Corporation

The members of the Corporation who act as trustees for the charitable activities of the Group are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the Group, the Corporation through its Accounting Officer is required to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with Accounts Direction for 2013/14 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, which give a true and fair view of the state of affairs of the Group and of the Group's results for that year.

In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Group will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group, and which enable it to ensure that the financial statements are prepared in accordance with the legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Group website is the responsibility of the Corporation of the Group; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency/Education Funding Agency and are used only in accordance with the Financial Memorandum with the Skills Funding Agency and with the Funding Agreements with the Skills Funding Agency and the Education Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the Group's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency/Education Funding Agency not put at risk.

Approved by order of the members of the Corporation on..... and signed on its behalf by:

Chair      Nick Swash

## **Independent Auditors' Report to the Corporation of Hull College**

We have audited the Group and College financial statements ("the financial statements") set out on pages 23 to 50. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter dated 15 October 2014.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Chief Executive of Skills Funding and our engagement letter dated 15 October 2014. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 15 October 2014 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective Responsibilities of the Corporation of Hull College and Auditor***

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 21, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter dated 15 October 2014, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Groups' and the College's affairs as at 31 July 2014 and of the Group's results for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

BAKER TILLY UK AUDIT LLP  
Chartered Accountants  
Two Humber Quays  
Wellington Street West  
HULL  
HU1 2BN

2014

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Consolidated Income and Expenditure Account

	Notes	2014 £'000	2013 £'000
<b>Income</b>			
Funding body grants	2	44,304	52,672
Tuition fees and education contracts	3	10,112	9,420
Other income	4	3,128	5,969
Investment income	5	<u>29</u>	<u>71</u>
<b>Total Income</b>		<b><u>57,573</u></b>	<b><u>68,132</u></b>
<b>Expenditure</b>			
Staff costs	6	39,374	41,003
Exceptional restructuring costs	6	1,248	795
Other operating expenses	8	19,892	25,187
Amortisation and depreciation	12 & 13	2,064	1,846
Impairment of goodwill	12	1,243	-
Interest payable and other finance costs	9	<u>229</u>	<u>600</u>
<b>Total expenditure</b>		<b><u>64,050</u></b>	<b><u>69,431</u></b>
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before tax			
		(6,477)	(1,299)
Taxation	10	<u>(1)</u>	<u>-</u>
<b>Deficit for the year transferred from general reserves</b>		<b><u>(6,478)</u></b>	<b><u>(1,299)</u></b>

The income and expenditure account is in respect of continuing activities.

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Consolidated Statement of Total Recognised Gains and Losses

	Notes	2014 £'000	2013 £'000
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and tax		(6,478)	(1,299)
Actuarial gains/(losses)			
Actuarial loss in respect of enhanced pension provision	19	-	(189)
Actuarial gain in respect of pension scheme	28	<u>5,245</u>	<u>1,740</u>
<b>Total recognised (losses)/gains since last report</b>		<u>(1,233)</u>	<u>252</u>
<b>Reconciliation</b>			
Opening reserves		9,490	9,238
Total recognised (losses)/gains since last report		<u>(1,233)</u>	<u>252</u>
Closing reserves		<u>8,257</u>	<u>9,490</u>

### Consolidated Statement of Historical Cost Surpluses and Deficits

	Notes	2014 £'000	2013 £'000
(Deficit) on continuing operations before taxation		(6,477)	(1,299)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	<u>245</u>	<u>245</u>
<b>Historical cost deficit for the year before taxation</b>		<u>(6,232)</u>	<u>(1,054)</u>
<b>Historical cost deficit for the year after taxation</b>		<u>(6,233)</u>	<u>(1,054)</u>

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

## Balance sheets as at 31 July

	Note	2014 Group £'000	2014 College £'000	2013 Group £'000	2013 College £'000
<b>Intangible fixed assets</b>	12	-	-	1,631	-
<b>Fixed assets</b>					
Tangible assets	13	33,029	32,972	31,828	31,780
Investments	14	<u>1</u>	<u>1</u>	<u>1</u>	<u>2,716</u>
<b>Total fixed assets</b>		33,030	32,973	33,460	34,496
<b>Current assets</b>					
Stock		122	121	238	132
Debtors	15	3,731	4,219	3,397	4,571
Cash at bank and in hand		<u>2,743</u>	<u>2,560</u>	<u>5,220</u>	<u>4,585</u>
Total current assets		6,596	6,900	8,855	9,288
<b>Less: creditors - amounts falling due within one year</b>	16	<u>(8,762)</u>	<u>(8,711)</u>	<u>(5,442)</u>	<u>(5,830)</u>
<b>Net current (liabilities)/assets</b>		<u>(2,166)</u>	<u>(1,811)</u>	<u>3,413</u>	<u>3,458</u>
<b>Total assets less current liabilities</b>		30,864	31,162	36,873	37,954
<b>Less: creditors – amounts falling due after one year</b>	17	(2,203)	(2,203)	(2,741)	(2,741)
<b>Less: Provisions for liabilities and charges</b>	19	<u>(673)</u>	<u>(673)</u>	<u>(669)</u>	<u>(669)</u>
<b>Net assets excluding pension liability</b>		27,988	28,286	33,463	34,544
Net pension liability	28	<u>(12,038)</u>	<u>(12,038)</u>	<u>(16,807)</u>	<u>(16,807)</u>
<b>Net assets including pension liability</b>		<u>15,950</u>	<u>16,248</u>	<u>16,656</u>	<u>17,737</u>
<b>Deferred capital grants</b>	20	7,693	7,693	7,166	7,166
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	22	17,528	17,826	23,285	24,366
Pension reserve	28	<u>(12,038)</u>	<u>(12,038)</u>	<u>(16,807)</u>	<u>(16,807)</u>
Income and expenditure account including pension reserve	22	5,490	5,788	6,478	7,559
Revaluation reserve	21	<u>2,767</u>	<u>2,767</u>	<u>3,012</u>	<u>3,012</u>
<b>Total Reserves</b>		8,257	8,555	9,490	10,571
<b>TOTAL FUNDS</b>		<u>15,950</u>	<u>16,248</u>	<u>16,656</u>	<u>17,737</u>

The financial statements on pages 23 to 50 were approved and authorised for issue by the Corporation on \_\_\_\_\_ and were signed on its behalf on that date by:

Nick Swash  
Chair

Gary Warke  
Accounting Officer

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Consolidated Cash Flow Statement

	Note	2014 £'000	2013 £'000
<b>Cash inflow from operating activities</b>	23	393	538
Returns on investments and servicing of finance	24	7	49
Taxation		(1)	-
Capital expenditure and financial investment	25	<u>(2,020)</u>	<u>(1,354)</u>
		(1,621)	(767)
Deferred consideration on acquisition of subsidiary undertaking		(688)	(590)
Financing	26	<u>(168)</u>	<u>(167)</u>
<b>Decrease in cash in the year</b>	27	<u><b>(2,477)</b></u>	<u><b>(1,524)</b></u>

### Reconciliation of net cash flow to movement in net funds

	Note	2014 £'000	2013 £'000
Decrease in cash in the year		(2,477)	(1,524)
Cash outflow from unsecured loan	26	<u>168</u>	<u>167</u>
Movement in net funds in the year		(2,309)	(1,357)
Net funds at 1 August		<u>2,686</u>	<u>4,043</u>
<b>Net funds at 31 July</b>	27	<u><b>377</b></u>	<u><b>2,686</b></u>

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

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## Notes to the Accounts

### 1 Accounting policies

#### Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and applicable Accounting Standards. They also conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2013/14 Accounts Direction Handbook.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with United Kingdom Accounting Standards.

#### Going Concern

The activities of the Group, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the Group, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The Group has considered the issue of Going Concern at both Audit and Finance committees. The Group maintains a close focus on balancing strength and availability of liquid resources in the event that short term pressures are experienced given the continuing economic downturn. After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future.

Corporation has paid particular attention to the cash flow position of the Group in the short to medium term. The cash flow expectation in detail to 31<sup>st</sup> December 2015 is within accepted limits. This position includes profiled payments to the SFA in respect of 2013/14 delivery and is achievable. Further cash flow modelling past that date on a higher level basis indicates that due to the robust, repeatable nature of business Hull College Group remains in a position of strength.

Funding agreements are in place with the EFA and SFA which generate 75% of group turnover.

Against a proven back drop of deliverability the Group is in the process of re shaping its staff to correctly resource current activity levels. From a position of wages costs being 73.4% of turnover in 12/13, they were brought to be 68.28% in 13/14 and are forecast to be 62.46% in 14/15. The control of these costs is the key factor in delivering surplus in future periods.

The forecast position for 14/15 and 15/16 is to produce a modest revenue surplus and associated cash based operating surplus. Group SLT members have a particular focus on monthly monitoring of the actual position with respect to budget with a specific remit on early intervention.

Hull College Group has robust and significant banking facilities in place to deal with forecast working capital requirements. This requirement is modelled and reported frequently to Corporation and the SLT.

Accordingly the Governors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its annual Financial Statements.

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts

#### 1 Accounting policies (continued)

##### Statement of accounting policies (continued)

##### Basis of consolidation

The consolidated financial statements include the Group and its subsidiaries, Hull College – Enterprises Limited and Rhino Training Limited. Intra group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2014.

##### Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Goodwill - 5 years straight line basis

A review for impairment of goodwill is carried out if events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable.

##### Recognition of income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement of the adult skills budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments, the income recognised is the allocation for the year.

Non-recurrent grants from the SFA or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors, net of any fee waivers allowed. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

##### Post retirement benefits

Retirement benefits to employees of the Group are provided by the Teachers' Pension Scheme (TPS) and the East Riding Pension Fund (ERPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS), and the assets are held separately from those of the Group.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable pay. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 28, the TPS is a multi employer scheme and the Group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The ERPF is a funded scheme and the assets are held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts

#### 1 Accounting policies (continued)

##### Post retirement benefits (continued)

and expenditure account if the benefits have vested. If the benefits have not been vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

##### Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the Group annually. An estimate of the expected future cost of any enhancement to a former member of staff is charged in full to the income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pensions spreadsheet provided by the funding bodies.

##### Tangible Fixed Assets

###### *Land and buildings*

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the re-valued amount is released to the income and expenditure reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Group of between 12 and 40 years except for portable buildings, which are depreciated over 5 or 10 years. The Group has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS15, the Group followed the transitional provision to retain the book value of land and buildings. The book values at implementation have been retained subject to the requirement to test assets for impairment in accordance with FRS 11.

###### *Assets under construction*

Assets under construction are accounted for at costs, based on the value of architect's certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts (continued)

#### 1 Accounting policies (continued)

##### *Subsequent expenditure on existing fixed assets*

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

##### *Equipment*

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. Other equipment is capitalised at cost except where it is included in premises refurbishment and written off to planned maintenance.

All assets are depreciated over their useful economic life as follows:

Motor vehicles	4 years
General equipment	5 years
Computer equipment	4 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Fixed assets capitalised by the Group are not depreciated in the year of acquisition.

##### **Leased assets**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

##### **Investments**

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

##### **Stocks**

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts (continued)

#### 1 Accounting policies (continued)

##### Taxation

The Group is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Group is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The Group is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The Group's subsidiaries are subject to corporation tax and VAT in the same way as any commercial organisation.

##### Liquid Resources

Liquid resources comprise short-term deposits with recognised banks and building societies.

##### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

##### Agency arrangements

The Group acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 32, except for the 5 per cent of the grant received which is available to the Group to cover administrative costs relating to the grant.

#### 2 Funding body grants

	2014	2013
	£'000	£'000
Funding body recurrent grant	32,428	35,172
HEFCE recurrent grant	2,269	3,821
Work-based learning	7,870	10,890
Funding body non recurrent grant	-	25
Releases of deferred capital grants (note 20)		
- Funding body	135	316
- HEFCE	88	131
Train2Gain/Work Place Learning	230	2,317
SFA Co – financed ESF – Skills Support for the Workplace	<u>1,284</u>	-
<b>Total</b>	<b><u>44,304</u></b>	<b><u>52,672</u></b>

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts (continued)

#### 3 Tuition fees and education contracts

	2014 £'000	2013 £'000
Tuition fees	7,695	5,783
Education contracts	<u>2,417</u>	<u>3,637</u>
<b>Total</b>	<b><u>10,112</u></b>	<b><u>9,420</u></b>

#### 4 Other income

	2014 £'000	2013 £'000
Other Grants and contracts	157	177
Catering	595	656
Other income generating activities	1,600	4,178
Releases from deferred capital grants (non funding body)	74	75
YHATA	3	71
Examination Fees income	146	199
Other income	<u>553</u>	<u>613</u>
<b>Total</b>	<b><u>3,128</u></b>	<b><u>5,969</u></b>

#### 5 Investment income

	2014 £'000	2013 £'000
Bank interest receivable	<u>29</u>	<u>71</u>

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

## Notes to the Accounts (continued)

### 6 Staff costs

The average number of persons employed by the Group (including senior post-holders) during the year, expressed as full-time equivalents, was:

	2014 Number	2013 Number
Teaching staff	515	597
Non teaching staff	<u>663</u>	<u>698</u>
	<u>1,178</u>	<u>1,295</u>

#### Staff costs for the above persons:

	2014 £'000	2013 £'000
Wages and salaries	31,827	33,599
Social Security costs	2,181	2,399
Other pension costs (including FRS 17 adjustments of £269,000) (2013 - £40,000)	<u>4,777</u>	<u>4,543</u>
<b>Payroll sub-total</b>	38,785	40,541
Contracted out staffing services	<u>589</u>	<u>462</u>
	39,374	41,003
Restructuring costs – voluntary redundancy scheme	<u>1,248</u>	<u>795</u>
	<u>40,622</u>	<u>41,798</u>

The number of senior post-holders and other staff who received emoluments excluding pension contributions and benefits in kind in the following ranges was:

	Senior post-holders		Other staff	
	2014 No.	2013 No.	2014 No.	2013 No.
£40,001 - £50,000	1	-	-	-
£60,001 - £70,000	-	1	3	-
£70,001 - £80,000	-	1	1	-
£90,001 - £100,000	2	1	-	-
£100,001 - £110,000	1	-	-	-
£120,001 - £130,000	-	1	-	-
£150,001 - £160,000	-	1	-	-
£160,001 - £170,000	<u>1</u>	-	-	-
	<u>5</u>	<u>5</u>	<u>4</u>	-

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts (continued)

#### 7 Senior Post-holders' emoluments

Senior post-holders are defined as the Accounting Officer and holders of other senior posts whom the Governing Body has selected for the purposes of the articles of government of the Group relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2014 No.	2013 No.
The average number of senior post-holders including the Accounting Officer was:	<u>5</u>	<u>4</u>

	2014 £'000	2013 £'000
Senior post-holders' emoluments are made up as follows:		
Salaries	510	523
Benefits in kind	2	2
Pension contributions	<u>75</u>	<u>57</u>
<b>Total emoluments</b>	<b><u>587</u></b>	<b><u>582</u></b>

The above emoluments include amounts payable to the Accounting Officer who took up post on 18 February 2013 having served as Deputy Chief Executive in the same year:

Benefits in kind	161	134
	<u>1</u>	<u>1</u>
	<u>162</u>	<u>135</u>

Pension contributions	<u>23</u>	<u>19</u>
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The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers Superannuation Scheme and are paid at the same rate as for other employees.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the Group other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts (continued)

#### 8 Other operating expenses

	2014 £'000	2013 £'000
Teaching costs	8,361	13,453
Non teaching costs	8,388	8,446
Premises costs	<u>3,143</u>	<u>3,288</u>
<b>Total</b>	<b><u>19,892</u></b>	<b><u>25,187</u></b>

#### Other operating expenses include:

	2014 £000	2013 £000
Auditors remuneration:		
- Financial statements audit *	33	33
- Other services provided by financial statements auditors:		
Other assurance services *	1	1
Accounting *	5	5
- Internal audit	41	45
Hire of plant and machinery – operating leases	19	17

\* Includes £30,000 in respect of the Group (2013: £35,000).

#### 9 Interest payable and other finance costs

	2014 £'000	2013 £'000
Other interest charges	22	22
Pension finance interest (note 28)	<u>207</u>	<u>578</u>
	<b><u>229</u></b>	<b><u>600</u></b>

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

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## Notes to the Accounts (continued)

### 10 Taxation

	2014 £'000	2013 £'000
Under provision in prior periods	<u>1</u>	-
	<u>1</u>	=

### 11 Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:

	2014 £'000	2013 £'000
College's deficit for the year	(7,261)	(932)
(Loss)/profit generated by subsidiary undertakings	(301)	3
Consolidation adjustments on goodwill impairment	<u>1,084</u>	-
<b>Total</b>	<u><b>(6,478)</b></u>	<u><b>(929)</b></u>

### 12 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 August 2013	2,091
Additions	<u>38</u>
At 31 July 2014	<u>2,129</u>
Amortisation	
At 1 August 2013	460
Charge for the period	426
Impairment	<u>1,243</u>
At 31 July 2014	<u>2,129</u>
Net book value	
At 31 July 2014	<u>-</u>
At 31 July 2013	<u>1,631</u>

The impairment arises following a review of the goodwill arising on the purchase of Rhino Training Limited. The revised recoverable value is expected to be £nil.

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

## Notes to the Accounts (continued)

### 13 Tangible fixed assets (Group)

	Freehold land and buildings £'000	Assets in the course of construction £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2013	41,288	82	14,550	55,920
Additions	888	666	1,290	2,844
Disposals	-	-	(5)	(5)
Transfers	<u>82</u>	<u>(82)</u>	<u>-</u>	<u>-</u>
At 31 July 2014	<u>42,258</u>	<u>666</u>	<u>15,835</u>	<u>58,759</u>
<b>Depreciation</b>				
At 1 August 2013	11,858	-	12,234	24,092
Charge for the year	<u>1,211</u>	<u>-</u>	<u>427</u>	<u>1,638</u>
At 31 July 2014	<u>13,069</u>	<u>-</u>	<u>12,661</u>	<u>25,730</u>
Net book value at 31 July 2014	<u>29,189</u>	<u>666</u>	<u>3,174</u>	<u>33,029</u>
Net book value at 31 July 2013	<u>29,430</u>	<u>82</u>	<u>2,316</u>	<u>31,828</u>

### Tangible fixed assets (College)

	Freehold land and buildings £'000	Assets in the course of construction £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2013	41,262	82	14,521	55,865
Additions	876	666	1,281	2,823
Transfers	<u>82</u>	<u>(82)</u>	<u>-</u>	<u>-</u>
At 31 July 2014	<u>42,220</u>	<u>666</u>	<u>15,802</u>	<u>58,688</u>
<b>Depreciation</b>				
At 1 August 2013	11,855	-	12,230	24,085
Charge for the year	<u>1,211</u>	<u>-</u>	<u>420</u>	<u>1,631</u>
At 31 July 2014	<u>13,066</u>	<u>-</u>	<u>12,650</u>	<u>25,716</u>
<b>Net book value at 31 July 2014</b>	<u>29,154</u>	<u>666</u>	<u>3,152</u>	<u>32,972</u>
Net book value at 31 July 2013	<u>29,407</u>	<u>82</u>	<u>2,291</u>	<u>31,780</u>

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained. Inherited land and buildings were valued in 1994 at depreciated replacement cost by Edward Rushton Son & Kenyon, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. The historic cost of the assets is £nil.

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts (continued)

#### 13 Tangible fixed assets (continued)

Land, buildings and equipment were acquired from Leeds Metropolitan University for Harrogate College on 1 August 2008. In August 2009 a fair value assessment at depreciated replacement cost was undertaken by King Sturge, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes.

The gross book value of freehold land and buildings includes land with a value of £5,012,178, which is not depreciated.

If inherited land and buildings had not been valued they would have been included at the following amounts:

	£000
Cost	Nil
Aggregate depreciation based on cost	<u>Nil</u>
<b>Net book value based on cost</b>	<u><u>Nil</u></u>

#### 14 Investments

	College	
	2014	2013
	£'000	£'000
<i>At cost</i>		
Shares in subsidiary undertakings	2,752	2,715
Other investments	1	1
Less impairment during the year	<u>(2,752)</u>	<u>-</u>
<b>Total</b>	<u><u>1</u></u>	<u><u>2,716</u></u>

The College owns 100% of the issued ordinary share capital of Hull College Enterprises Limited the principal business activity being the provision of fitness training and leisure facilities to the general public, the cost of the shares being £10. The company is incorporated in Great Britain and registered in England and Wales.

The College owns 100% of the issued ordinary share capital of MOVATA limited, which has not traded and is dormant, the cost of the shares being £10. The company is incorporated in Great Britain and registered in England and Wales.

The College owns 100% of the issued ordinary share capital of Rhino Training Limited, the principal business activity being the provision of workplace learning and apprenticeship training courses throughout the UK, the cost of the shares being £100. The company is incorporated in Great Britain and registered in Scotland.

The impairment arises following a review of the goodwill arising on the investment in Rhino Training Limited. The revised recoverable value is expected to be £nil.

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

## Notes to the Accounts (continued)

### 15 Debtors

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Amounts falling due within one year:				
Trade debtors	1,694	1,375	740	378
Amounts owed by group undertakings	-	912	-	-
Prepayments and accrued income	1,141	1,023	1,893	1,850
Amount owed by SFA	896	896	764	764
Gift Aid	-	13	-	1,579
<b>Total</b>	<b><u>3,731</u></b>	<b><u>4,219</u></b>	<b><u>3,397</u></b>	<b><u>4,571</u></b>

### 16 Creditors - amounts falling due within one year

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Bank loans	163	163	168	168
Payments received in advance	644	642	36	36
Trade creditors	1,745	1,640	2,570	2,512
Amounts owed to group undertakings	-	92	-	205
Other taxation and social security	1,195	1,165	1,254	1,224
Amounts due to SFA	2,838	2,838	134	134
Accruals and deferred income	1,777	1,771	605	876
Deferred consideration	400	400	675	675
<b>Total</b>	<b><u>8,762</u></b>	<b><u>8,711</u></b>	<b><u>5,442</u></b>	<b><u>5,830</u></b>

### 17 Creditors - amounts falling due after more than one year

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Bank loan	2,203	2,203	2,366	2,366
Deferred consideration	-	-	375	375
<b>Total</b>	<b><u>2,203</u></b>	<b><u>2,203</u></b>	<b><u>2,741</u></b>	<b><u>2,741</u></b>

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

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## Notes to the Accounts (continued)

### 18 Borrowings

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
Bank Loan repayable as follows:				
1 year	163	163	168	168
2 – 5 years	636	636	641	641
Five years or more	<u>1,567</u>	<u>1,567</u>	<u>1,725</u>	<u>1,725</u>
<b>Total</b>	<u>2,366</u>	<u>2,366</u>	<u>2,534</u>	<u>2,534</u>

The bank loan is to be repaid by quarterly instalments falling due between August 2014 and June 2019, at an interest rate of 3% above Lloyds Banking Group base rate.

### 19 Provisions for liabilities and charges

	Enhanced Pension £'000
At 1 August 2013	669
Expenditure in the period	(46)
Income and expenditure account	<u>50</u>
<b>At 31 July 2014</b>	<u>673</u>

The enhanced pension provision is in respect of the future enhanced pension benefits, for former employees, following early retirements and has been calculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2014	2013
Price inflation	2.25%	2.50%
Discount rate	4.06%	4.28%

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

## Notes to the Accounts (continued)

### 20 Deferred capital equipment grants

	Funding body grants £'000	Group and College HEFCE Grants £'000	Other grants £'000	Total £'000
At 1 August 2013	4,125	431	2,610	7,166
Cash received	434	82	308	824
Released to income and expenditure account	<u>(135)</u>	<u>(88)</u>	<u>(74)</u>	<u>(297)</u>
<b>At 31 July 2014</b>	<b><u>4,424</u></b>	<b><u>425</u></b>	<b><u>2,844</u></b>	<b><u>7,693</u></b>

### 21 Revaluation reserve

	Group and College 2014 £'000	2013 £'000
At 1 August 2013	3,012	3,257
Transfer from revaluation reserve to income and expenditure account in respect of:		
Depreciation on revalued amounts	<u>(245)</u>	<u>(245)</u>
<b>At 31 July 2014</b>	<b><u>2,767</u></b>	<b><u>3,012</u></b>

### 22 Movement on general reserves

	Group 2014 £'000	College 2014 £'000	Group 2013 £'000	College 2013 £'000
<b>Income and expenditure account reserve</b>				
At 1 August 2013	6,478	7,559	5,979	6,691
Deficit for the year	(6,478)	(7,261)	(1,299)	(930)
Transfer from revaluation reserve	245	245	245	245
Actuarial gain in respect of pension scheme	<u>5,245</u>	<u>5,245</u>	<u>1,553</u>	<u>1,553</u>
<b>At 31 July 2014</b>	<b><u>5,490</u></b>	<b><u>5,788</u></b>	<b><u>6,478</u></b>	<b><u>7,559</u></b>
Balance represented by:				
Pension reserve	(12,038)	(12,038)	(16,807)	(16,807)
Income and expenditure account reserve excluding pension reserve	<u>17,528</u>	<u>17,826</u>	<u>23,285</u>	<u>24,366</u>
<b>At 31 July 2014</b>	<b><u>5,490</u></b>	<b><u>5,788</u></b>	<b><u>6,478</u></b>	<b><u>7,559</u></b>

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts (continued)

#### 23 Reconciliation of consolidated operating deficit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Deficit on continuing operations after depreciation of assets at valuation	(6,477)	(1,299)
Depreciation, amortisation and impairment (note 12 and 13)	3,307	1,846
Deferred capital grants (note 20)	(297)	(522)
Interest payable (note 9)	22	22
Pension cost less contributions payable (notes 6 and 28)	269	40
Decrease/(increase) in stocks	116	(60)
(Increase)/decrease in debtors	(334)	414
Increase/(decrease) in creditors	3,605	(416)
Increase in provisions	4	6
Pension finance interest (note 9)	207	578
Interest receivable (note 5)	<u>(29)</u>	<u>(71)</u>
<b>Net cash inflow from operating activities</b>	<b><u>393</u></b>	<b><u>538</u></b>

#### 24 Returns on investments and servicing of finance

	2014 £'000	2013 £'000
Interest received	29	71
Interest paid	<u>(22)</u>	<u>(22)</u>
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b><u>7</u></b>	<b><u>49</u></b>

#### 25 Capital expenditure and financial investment

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	(2,844)	(1,685)
Deferred capital grants received	<u>824</u>	<u>331</u>
<b>Net cash outflow from capital expenditure and financial investment</b>	<b><u>(2,020)</u></b>	<b><u>(1,354)</u></b>

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

## Notes to the Accounts (continued)

### 26 Financing

	2014 £'000	2013 £'000
Debt due after one year:		
Repayment of loan	<u>(168)</u>	<u>(167)</u>
<b>Net cash out flow from financing</b>	<u>(168)</u>	<u>(167)</u>

### 27 Analysis of changes in net funds

	At 1 August 2013 £'000	Cash flows £'000	Non cash £'000	At 31 July 2014 £'000
Cash in hand, and at bank	5,220	(2,477)	-	2,743
Debt due in one year	(168)	5	-	(163)
Debt due after one year	<u>(2,366)</u>	<u>163</u>	:	<u>(2,203)</u>
	<u>(2,534)</u>	<u>168</u>	:	<u>(2,366)</u>
<b>Total</b>	<u>2,686</u>	<u>(2,309)</u>	=	<u>377</u>

### 28 Pension and similar obligations

The Group's employees belong to two principal pension schemes: the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff; and the East Riding Pension Fund (ERPF) for non-teaching staff. Both are defined-benefit schemes.

#### Total pension cost for the year

	Total 2014 £'000	Total 2013 £'000
Teachers Pension Scheme: Contributions paid	1,971	2,226
East Riding Pension Fund:		
Contributions paid	2,487	2,141
FRS17 charge	<u>269</u>	<u>40</u>
Charge to the Income and Expenditure Account (staff costs)	2,756	2,181
Enhanced pension charge to Income and Expenditure account	<u>50</u>	<u>236</u>
<b>Total pension cost for year</b>	<u>4,777</u>	<u>4,643</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2004 and the ERPF 31 March 2013.

Contributions amounting to £288,000 (2013: £240,075) were payable to the scheme at 31 July and are included within creditors.

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts (continued)

#### 28 Pension and similar obligations

##### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

##### The Teachers' Pension budgeting and valuation account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

##### Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS will be implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

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## Notes to the Accounts (continued)

### 28 Pension and similar obligations

#### Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,971,000 (2013: £2,226,000).

#### Teachers' Pension Scheme

##### FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The college has set out above the information available on the scheme and the implications for the College in terms of anticipated contribution rates.

#### East Riding Pension Fund

The ERPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2014 was £3,179,000 of which employer's contributions totalled £2,487,000 and employee's contributions totalled £692,000.

From 1 April 2012 to 31 March 2014, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary, with Employer contributions set at 14.1%. With effect from 1<sup>st</sup> April 2014 the employee contributions rates were increased and ranged between 6.4% and 12.4%, depending a member's Full Time Equivalent salary, with Employer contributions set to increase to 16.4% from September 2015.

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

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## Notes to the Accounts (continued)

### 28 Pension and similar obligations (continued)

#### FRS 17

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2014 by a qualified independent actuary.

	At 31 July 2014	At 31 July 2013
Expected rate of salary increases	2.7%**	5.1%**
Future pensions increases	2.7%	2.8%
Discount rate	4.0%	4.6%
Inflation assumption (CPI)		
Expected return on scheme assets	6.1%	5.9%
Commutation of pensions to lump sums	See note*	see note*

\* 30% for pre April 2008 service and 65% for post April 2008 service.

\*\* 2014 – 1% until 31 March 2016, 2.7% thereafter

\*\* 2013 – 1% until 31 March 2015, 5.1% thereafter

The expected return on scheme assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yield on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on the equity and property investments reflect the long-term rates of return experienced in the respective markets.

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

## Notes to the Accounts (continued)

### 28 Pension and similar obligations (continued)

#### Principal Actuarial Assumptions (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2014	At 31 July 2013
<i>Retiring today</i>		
Males	21.9 years	22.9 years
Females	24.1 years	25.7 years
<i>Retiring in 20 years</i>		
Males	24.2 years	24.9 years
Females	26.7 years	27.7 years

The assets and liabilities in the scheme (of which the Group's share is estimated at 2.0%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000
Equities	6.7%	34,275	6.5%	33,016
Bonds	3.5%	4,394	3.7%	4,288
Property	4.7%	3,076	4.6%	2,573
Cash	3.6%	<u>2,197</u>	3.4%	<u>3,002</u>
<b>Total market value of assets</b>		43,942		42,879
Present value of scheme liabilities		(55,928)		(59,632)
Share of unfunded liabilities		<u>(52)</u>		<u>(54)</u>
<b>Deficit in the scheme</b>		<u>(12,038)</u>		<u>(16,807)</u>

#### Analysis of the amount charged to income and expenditure account

	2014 £'000	2013 £'000
Current service cost (net of employee contributions)	(2,716)	(2,181)
Losses on Curtailments and settlements	(35)	-
Past Service Cost	<u>(5)</u>	<u>-</u>
Total operating charge	<u>(2,756)</u>	<u>(2,181)</u>

#### Analysis of pension finance costs

Expected return on pension scheme assets	2,594	1,769
Interest on pension liabilities	<u>(2,801)</u>	<u>(2,347)</u>
<b>Pension finance interest</b>	<u>(207)</u>	<u>(578)</u>

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

## Notes to the Accounts (continued)

### 28 Pension and similar obligations (continued)

#### Principal Actuarial Assumptions (continued)

The amounts recognised in the Statement of Total Recognised Gains and Losses are as follows:

	Current year		Cumulative	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Actuarial gain/(loss)	5,245	1,740	(10,561)	(15,806)
Past service gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Actuarial gain/(loss)</b>	<u>5,245</u>	<u>1,740</u>	<u>(10,561)</u>	<u>(15,806)</u>

The actual return on scheme assets was £2,626,000 (2013: £6,490,000).

#### Movement in deficit during year

	2014 £'000	2013 £'000
Deficit in scheme at 1 August	(16,807)	(17,929)
Movement in year:		
Employer service cost (net of employee contributions)	(2,716)	(2,184)
Employer contributions	2,483	2,141
Past service cost	(5)	-
Losses on Curtailments	(35)	-
Net interest	(207)	(578)
Actuarial gain	5,245	1,740
Contribution to unfunded benefits	<u>4</u>	<u>3</u>
<b>Deficit in scheme at 31 July</b>	<u>(12,038)</u>	<u>(16,807)</u>

#### Asset and Liability Reconciliation

	2014 £'000	2013 £'000
<b>Reconciliation of Liabilities</b>		
Liabilities at start of period	59,686	52,329
Service cost	2,716	2,184
Interest costs	2,801	2,347
Employee contributions	692	635
Actuarial (gain)/loss	(9,051)	2,970
Benefits paid	(904)	(779)
Past service gain	5	-
Curtailments and settlements	<u>35</u>	<u>-</u>
<b>Liabilities at end of period</b>	<u>55,980</u>	<u>59,686</u>

# Corporation of Hull College

FINANCIAL STATEMENTS  
for the year ended 31 July 2014

## Notes to the Accounts (continued)

### 28 Pension and similar obligations (continued)

#### Principal Actuarial Assumptions (continued)

	2014 £'000	2013 £'000
<b>Reconciliation of Assets</b>		
Assets at start of period	42,879	34,400
Expected return on assets	2,594	1,769
Actuarial (loss)/gain	(3,806)	4,710
Contributions in respect of unfunded benefits	4	3
Employer contributions	2,483	2,141
Employee contributions	692	635
Benefits Paid	<u>(904)</u>	<u>(779)</u>
<b>Assets at end of period</b>	<b><u>43,942</u></b>	<b><u>42,879</u></b>

The estimated value of employer contributions for the year ended 31 July 2015 is £2,774,000.

#### Amounts for the current and previous four periods are as follows:

Defined benefit pension scheme	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligation	(55,980)	(59,686)	(52,329)	(38,233)	(38,891)
Scheme assets	43,942	42,879	34,400	32,202	29,792
Deficit	(12,038)	(16,807)	(17,929)	(6,031)	(9,099)
Experience adjustments on scheme liabilities	(3,806)	4,710	(1,626)	4,233	2
Experience adjustments on scheme assets	5,579	30	(558)	(1,311)	2,763

### 29 Financial commitments

At 31 July 2014 the Group and College had annual commitments under non-cancellable operating leases as follows:

	Group		College	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Buildings</b>				
Expiring within one year	164	164	121	164
Expiring within two and five years inclusive	273	163	273	163
Expiring in over five years	<u>372</u>	<u>118</u>	<u>329</u>	<u>118</u>
	<u>809</u>	<u>445</u>	<u>723</u>	<u>445</u>
<b>Other</b>				
Expiring within two and five years inclusive	<u>724</u>	<u>689</u>	<u>702</u>	<u>689</u>
	<u>724</u>	<u>689</u>	<u>702</u>	<u>689</u>

# Corporation of Hull College

## FINANCIAL STATEMENTS

for the year ended 31 July 2014

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### Notes to the Accounts (continued)

#### 30 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £966,000 (2013:£nil).

#### 31 Related party transactions

Owing to the nature of the Group's operations and the composition of the board of governors being drawn from local public and private sector organisations it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arms length and in accordance with the Group's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

The total expenses paid to or on behalf of the Governors during the year was £2,179. This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the college or its subsidiaries during the year (2013: None).

Transactions with the funding bodies are detailed in notes 2, 15, 16 and 20.

#### 32 Amounts disbursed as agent

Discretionary support funds and access fund

	2014 £'000	2013 £'000
Funding Body Grants	2,119	2,293
Interest Earned	<u>-</u>	<u>-</u>
	<u>2,119</u>	<u>2,293</u>
Disbursed to students	(2,020)	(2,180)
Administration costs	<u>(99)</u>	<u>(113)</u>
	<u>(2,119)</u>	<u>(2,293)</u>
Balance unspent as at 31 July	<u>-</u>	<u>-</u>

Funding body grants are available solely for students. In the majority of instances, the Group acts only as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account.

## **Independent Report to the Corporation of Hull College and the Chief Executive of Skills Funding**

This report is produced in accordance with the terms of our engagement letter dated 15 October 2014 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular in accordance with the authorities that govern them as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Framework published by the Skills Funding Agency and the Education Funding Agency.

Our review has been undertaken so that we might state to the Corporation of Hull College and the Chief Executive of Skills Funding those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of Hull College and the Chief Executive of Skills Funding in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Hull College and the Chief Executive of Skills Funding for our review work, for this report, or for the opinion we have formed.

### **Responsibilities of the Corporation of Hull College**

The Corporation of Hull College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Hull College is also responsible, under the requirements of the Accounts Direction 2013/14 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance.

### **Auditor's responsibilities**

Our responsibility is to express a reasonable assurance opinion that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Framework and our engagement letter dated 15 October 2014. The International Standards on Auditing (UK and Ireland) and Regularity Framework require that we plan and perform this engagement to obtain reasonable assurance in respect of the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the financial statements are in all material respects regular.

### **Basis of opinion**

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

### **Opinion**

In our opinion, the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

BAKER TILLY UK AUDIT LLP  
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2014